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CENTRAL INTELLIGENCE AGENCY

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(directive from central committee, industrialization, and future plans)

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SOURCE EVALUATIONS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE.

economic situation in Poland

includes information on directives sent to the Planning Commission by the Central Committee of the Party concerning economic targets, as well as comments on past and planned rates of growth in major industries. Charts illustrating the text are included.¹

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From what has been learnt recently of the trends in Poland, major importance is attached to the economic problems. This, however, as all the signs seem to prove, has its roots in the over-all change of politics, which took place during the last few months, and which manifested itself with such a violence during the Summit conference and during the recent disarmament debates in Geneva.

The proof of such a supposition bears its source from the fact, that the proposals to change the targets of the Five-Year Plan for 1961-1965 have not come, as it may have been supposed, from Ministries and such planning boards as the Commission for The Economic Planning, but have been directly emanated from the Central Committee of the Party.

Directives, which have been transmitted to the Planning Commission have been short and ran along the following lines:

- a. Economic targets for Poland seem to be lower (in index value of growth) than the economic targets of other socialist countries of the bloc (to this suggestion a separate table have been attached, confirming the idea
- b. Productive investments in heavy industry are not sufficiently stressed in relation to the non-productive investments and there exists a supposition that such a formulation of the Plan targets have been provoked by the existence among those mostly responsible for the new Plan, some liberal economists brought up in the Keynesian School of economics (it is supposed, although not explicitly stated that the hint was

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- to Professor Micheal Kalecçi, who was mostly responsible for the targets of the Plan 1961-65, theoretically and practically
- c. Link with investments in other countries of the socialist bloc is rather weakly stressed and there is but a limited field for cooperation in this domain
 - d. Agriculture is supposed to develop in a greater part due to the private initiative of individual peasants.
 - e. Defense and administrative outlays are too low and do not reflect the necessary tendency towards military strength, understood as the only possible factor to stop the "imperialists' appetite".
 - f. Housing plans are too liberal and concentrate the whole responsibility for the residential construction in the hands of public sector, cutting out such an important tool of ~~expenditure~~ drainage of the market (brake on inflation) and source of saving (resources for further investments) as is the privately financed constructions.
 - g. A rapid rise in productivity and an approaching inflow of the ~~new~~ high ebb of young labor force creates the danger of unemployment, which may be disastrous both for the political prestige of the Government inside the country and abroad.

Judging these points, which have been directly transmitted by the President of the Planning Commission to the Senior Staff of the Commission, a disposal was given to change the Plan targets as soon as possible.

Some tables have been exposed as a proof to the stipulation and ~~they~~ there are reconstructed herein (see exhibits 1 and 2)

The ideas have been keenly absorbed by the staff of the Planning Commission as well as by the respective staff of the Ministries.

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The explanation given to the fact of unexpected satisfaction of these employees is found in the insecure position of the planners and officials in Government organs and economic administration, based on the weakening of the administrative scope of power and activity, narrowing of their field of influence.

Planning Commission and the Ministries, which until some time kept in hand almost all the string leading to every detail of economic activity, and especially this of the investments, felt suspended in vacuum, their staffs severely cut in number, their services superfluous, their ^yconcepts unnecessary, their decisions not required. Thus the news brought by Mr Jedrychowski as to the change in plan targets revoked cherished hopes of increasing centralization and many voices have been demanding how the control of newly established and more rigid targets be effected.

(the diminishing scope of central planning given in exhibit 3)

Rough proposals as to the changes of Five Year Plan have been elaborated in two weeks and submitted to the Central Committee.

There are included into the exhibit 4 and 5, annexed to this document.

Annexed exhibits stress following major factors:

- the take-off of the industrial production of strategic importance (under strategic is not only meant a defence potential or attack potential but also and even foremostly the drive towards getting nearer the West level of production) is much quicker in other bloc countries than in Poland especially after the period of lessening of control and "internal coexistence" i.e. meeting of the aspirations of the population

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- a steep wave of new labor force hangs over the ~~the~~ polish economy on the treshhold of 1962 (end 1961)

- the strictly planned investment, fixed and controlled by the Central Plan have fallen within a year from 69 to 62 percent of the total

so much for the past, which have laid as basis.

The proposal of the Planning Commission, submitted to the Politbureau and wound up additionnnally there show the following regularities:

- ~~xxxxxx~~ considering the rate of growth in investments outlays, compared by periods, it can be noted, that only the strategic ~~xxxxxx~~ items show higher rates of growth then in the precedent quinquennium . Other items have a rate of growth much ~~xxxxxx~~ weaker.

And so grew:

	1951-1955	1956-1960	1961-1965
industry	100	126,9	144,6
transporta- tion and communica- tion	100	107,4	160,8
defense& adminstr.	100	54,9	700

and dip downwards:

agriculture	100	216,3	183,5
forestry	100	210,4	157,6
construction	100	215,8	140,0
housing	100	199,6	150,5
municipal services	100	184,3	148,8
trade	100	110	98,8

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 Exhibit 1

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Dispersion of Production per capita Indexes

Production per capita of population in Poland is taken as Index - 100 in every separate year of comparison

	Czechoslovakia			Russia		
	1950	1956	1960	1950	1956	1960
Steel (crude)	240	188	210	152	133	150
Electrical energy	188	179	180	133	128	--
Fuel (recalculated to units of conventional fuel)	77	96	118	50	72	103
Sulphuric acid (H ₂ SO ₄)	173	188	150	--	112	104
Cement	144	166	142	56	81	70

 Exhibit 2

Number of Young Men and Women who would reach the age of 16 years in given years
(16 years considered as a threshold to the workable period of age)

(in thousands)

	1959	1960	1961	1962	1963	1964	1965	1970	1975
Number of young men and young girls	385	393	398	533	589	631	632	692	705

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Exhibit 3

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Distribution of Investments

Investment Outlays	1956	1957
TOTAL	100.0	100.0
A. Nationalized economy	92.3	89.6
1. Strictly controlled investments (planned per item - every item treated separately)	86.8	80.3
a. In the central plan	69.0	62.4
b. In the regional plans	17.8	17.9
2. Over-all planned investments (global sums previewed - decision as to the exploitation left to the users)	5.5	9.3
a. In the central plan	4.4	6.9
b. In the regional plans	1.1	2.4
B. Non-nationalized economy	7.7	10.4
Central Plan (total)	73.3	69.3
Regional Plan (total)	19.0	20.3

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Exhibit 4

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Structure of Investments in 1951 - 1960 - 1965

	Outlays in billion zlotys, calculated in 1956 prices		Percentages		Indexes of Growth (%)	1961-1965 (Corrected Proposals)	Indexes of Growth (%)	
	1951-1955	1956-1960	1951-1955	1956-1960	1956-1960 related to 1951-1955	Outlays in billion zlotys ('59)	1961- 1965	1961-1965 related to 1956-1960
Total outlays (estimated private investments inc.)	210.6	301.8	100	100	143.3	-	100.0	
I. Production								
Outlays:	150.4	212.8	71.4	70.5	141.5	379.4	64.5	
including								
industry	94.3	119.7	44.8	39.7	126.9	218.7	37.0	144.6
agriculture	25.7	55.6	12.2	18.4	216.3	39.3	15.2	183.5
forestry	0.8	1.6	0.4	0.5	210.4	2.7	0.4	157.6
construction	3.8	8.2	1.8	2.7	215.8	13.9	2.4	140.0
transport/commun	25.8	27.7	12.2	9.2	107.4	54.8	9.3	160.8
II. Non-Production								
outlays	60.2	89.0	28.6	29.5	147.8	208.8	35.5	
including								
housing	24.6	49.1	11.7	16.2	199.6	108.6	18.4	150.5
municipal svcs	5.1	9.4	2.4	3.1	184.3	22.8	3.9	143.4
trade	7.0	7.7	3.3	2.6	110.0	11.4	1.9	93.8
social/cultural	10.3	18.4	4.9	6.1	173.6	37.5	6.4	148.1
national defense								
% administration	12.6	4.4	6.0	1.5	54.9	23.2	4.0	700
miscellaneous	0.6	-	0.3	-	-	5.3	0.9	-

Exhibit 5

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Change Proposed in the Basic Dates on which the New Five-Year Plan is to be Founded

Unit	1960 Estimate	1963 Previously Set	Proposed Changes	
Steel (crude) million tons	6.57	9	9.3	
Coal " "	103.5	112-113	113.6	
Rolled iron " "	4.4	6.05	6.38	
Electric energy billion kwh	29	43.5 - 45	45.5	50X1-HUM
Sulphuric acid million tons	0.68	1.14	1.32	
Phosph.fertilizers " "	0.2	0.36	0.40	
Paper " "	0.493	0.623	0.623	
Cement " "	6.6	10.0	11.12	

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This marks a clear tendency to sacrifice individual need on the altar of Higher Objectives, a tendency which led to revolt in 1956.

The very fact have been remarked already by many enlightened members of Warsaw intelligent sia and creates serious and not unfounded inquietudes.

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A considerable brake would be put on the private consumption as a result of a non-fulfilment of the plan targets by the industry producing for the needs of the population. [redacted] datas

[redacted] showing that:

~~textiles-~~

S A L E S TO THE POPULATION

DATAS FOR ~~XXXX~~
1955

PLANNED FOR 1960

Estimate for 1960

textiles:

(per head of popualation)

woollen	2,5 meters	2,9 meters	2,6 meters
cotton	16,5 "	21 "	20,0 "
silk	2,8 "	3,9 "	3,6 "

durables:

(global numbers in units)

passenger
cars

15 thousand
(own production)

11,2 thousand
(7 thousand-own prod.
4,2 " 'import)

motor~~bikes~~ 29,1 thousand
scooters

122 "

148 "
(in this-25 thousand ad
additionnaly imported)

bicycles 257,6 "

632 "

832 thousand
(in this-512 thousand-
own production and
320 thousand-import)

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Radios	483,6 thousand	940 t housand	700 thousand
TV sets	0,8 "	150 "	195 "
washing mashines	29,7 "	333 "	442 "
sewing machines	50,2 "	155 "	175 "
			(import covering non-fulfillment of plan)
frx refrigerators	2,1 "	100 "	46 thousand
building materials			
cement	464,3 thousand tons	1.640 th.t	1.700 th. t
construction lime	353 thous.t	650 thou t	594 thou t
ceramic tile	28,4 million units	55 million	34 million
eternite	1,9 million m ³	3,5 million m ³	4,6 million m ³
wall materials	476 million ceramic coventional units	1460 million c.units	1.340 million
glass drawn	3,27 million m ²	6,5 million m ²	6,65 million m ²
tar paper	18,3 million m ²	35,5 million m ²	33 million m ²
deal-board (blank)	478 thousnad m ²	790 th m ²	1.030 thou m ²
metallurgical products	35 thousand tons	60 thou tons	129 thous, tons

Agricultural production was fixed in the plan at a level 25 percent higher in 1960 than in 1955. The forecasted fulfillment of the plan is estimated to reach 17-18 percent only for 1960, compared with 1955.

This situation shows that the needs of population are:

- either not entirely satisfied as it was stipulated (planned)
in the plan

- or (when satisfied) demand is covered through import from abroad

This is valid for all three major sectors of demand: apparel, durables and construction (building) materials. as well as for agricultur

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al products.

These gaps will not be filled in the next plan because of sudden changes introduced recently. To finance the additional investments which spring out of the new projects it is supposed that the ratio of accumulation in the national Income will be raised to 23 percent, which is the highest ratio since 1953 (see exhibit 6). This will be carried out at the expense of private consumption.

Such a situation may provoke deep discontentment of the population and bring back to minds parallels of the Six Year Plan.

Last economic tendency brought to our information is the rise of industrial giants and its raising part in the total production. This is more and more observed and felt in key industries, bringing about a highly concentrated production potentials, highly concentrated labor force centres and important groups of management grouped together. (see exhibit 7).

Analysts of the social and economic life in Poland stress the supreme importance of this fact, showing the new forces which tend to counterbalance the former bureaucratic concentrations of technocrats in the administrative bodies such as Ministries etc. So much for a new management. As for the labor force, in such a concentrated form it presents a ready reservoir for strikes and a site where views are freely exchanged (the huge factories gave the sense of power and security).

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Exhibit 7

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National Income Created and Distributed in 1956 Prices

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	Part of Accumulation and Consumption in the National Income in percentages		National Income Created('56 prices)	National Income Distributed('56 prices)
	Consumption	Accumulation		
1949	85.0	15.0		
1950	80.0	20.0	157.0	155.6
1951	80.4	19.6	168.7	167.3
1952	78.0	22.0	179.2	177.8
1953	72.9	27.1	197.9	196.6
1954	77.6	22.4	218.8	217.2
1955	78.4	21.6	236.7	236.4
1956	80.3	19.7	256.7	254.0
1957	78.5	21.5	277.3	288.0
1958	78.5	21.5	292.4	299.5
1959	78.4	21.6	303.5	319.2

Exhibit 7

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Part of Different Key Industrial Enterprises in Total Production
in the years 1955 and 1960

Industrial Enterprises	Type of Production	Part in Production (%)	
		1955	1960
Steel works Nowa Huta	Steel	7.3	22
Five new coal mines	Coal	4.5	10.0
Power Stations Jaworzno II and Zeran	Electric energy	10.0	14.0
Chemical works "Wizow"	Sulphuric acid	12	25.0
Nitrate works, Kedzierzyn	Nitric fertilizers	28.0	48.0
Soda works in Janikowo	Calcinated soda and caustic soda	-	50.0

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